



MINUTES

GOVERNMENT OPERATIONS AND AUDIT COMMITTEE

**First Meeting
2003 Interim
June 24, 2003**

**LCR 1 and 2
State Capitol Building
Pierre, South Dakota**

Tuesday, June 24, 2003

The first meeting of the Government Operations and Audit Committee was called to order by Chair Klaudt at 8:00 a.m., June 24, 2003 in the Legislative Conference Room 1 and 2, State Capitol Building, Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Arnold Brown, John Koskan, Garry Moore and Marguerite Kleven; and, Representatives Craddock, Gillespie, Klaudt, and Lange. Senator J. P. Duniphan and Representative Konold were excused.

Staff members present were Marty Guindon, Auditor General, Rich Hornak, State Government Audit Manager, Gary Hoscheid, State Government Audit Manager, Bob Christianson, Auditor IV. Annie Mertz, Principal Analyst represented the Legislative Research Council.

Approval of Minutes

Senator Kleven moved, seconded by Senator Moore, that the minutes of the December 2, 2002, meeting be approved. Motion prevailed unanimously on a voice vote.

Review of Fiscal Year 2002 Encumbrances

Rich Hornak reviewed a report on fiscal year 2002 encumbrances and related expenditures through June 20, 2003.

Stacy Krusemark, Department of Education and Tamara Darnall, Bureau of Finance and Management responded to questions from the Committee. In response to questions regarding an encumbrance of the Department of Education with a remaining balance of \$3,452,746.65, Mr. Krusemark stated that \$1,000,000 will be reverted, \$1,500,000 will be included in proposed legislation during the special session as funding for a health insurance risk pool and the remaining balance will be carried forward as an encumbrance during fiscal year 2004.

The committee requested that Mr. Krusemark provide a detailed list of expenditures from each encumbrance of the Department of Education and an explanation of the purpose of each contract associated with each encumbrance. This information is to be presented at the committee's next meeting scheduled for July 30, 2003.

Public Testimony

Mr. Robert Keiner testified before the committee regarding alleged improprieties with Department of Transportation stores inventories at the Sioux Falls regional office during the mid-1980's. Mr. Keiner testified that his daughter, Kathie Keiner, worked at the Sioux Falls regional office. The allegation was that false entries were made to adjust the stores inventory. An investigation was conducted by the Governor's Office and hearings were held in Pierre, South Dakota, possibly in 1989. There were also

two hearings in Sioux Falls, South Dakota. Kathie Keiner was injured on the job and requested workers compensation. Before Ms. Keiner received workers compensation payments, she was fired. Because she was fired, Ms. Keiner did not receive payment for accumulated sick leave. Mr. Keiner requested the committee review personnel files to determine if workers compensation claims were filed and hold a hearing on the firing of Ms. Keiner.

Mr. Jeff Bloomberg, attorney representing the Bureau of Personnel provided the committee with a summary of laws relating to the availability of personnel records. Mr. Bloomberg indicated that personnel records of individuals could not be given to the committee. A prior employee could request and receive a copy of their personnel file and provide it to the committee.

Contracts

Mr. Rich Sattgast, South Dakota State Auditor testified that the State Auditor's office is acting as a filing agency for state consulting contracts. State law does not provide guidance to the State Auditor's office defining what would be considered a proper contract. Mr. Sattgast provided the committee with draft legislation he plans to propose during the next legislative session that amends existing laws on filing contracts with the State Auditor's office. Mr. Robert Swanson, State Auditor's Office provided the committee with some background on the contract process and provided the committee with the total expenditures associated with the list of contracts selected for review by committee members.

The committee will request the Department of Social Services, Department of Corrections and the Bureau of Information and Telecommunications attend their next meeting to review all consulting contracts and office lease contracts that are active during fiscal year 2004. A list of contracts is to be provided to the committee that includes: the purpose of each contract; a list of payments on each contract by vendor; the period covered by the contract; and, the total amount to be paid under the contract.

State Auditor Functions

Mr. Sattgast provided an overview of the State Auditor's responsibilities relating to the review and approval of payroll and operating expenditures of the state. Mr. Sattgast stated that even though he was responsible for the propriety of financial transactions, his office was not involved in the development or administration of the automated payroll and accounting systems.

Staff representing the State Auditor's provided an overview of different functions administered in their Office. Ms. Judy Flagstad provided an overview of the payroll process. Mr. Lloyd Johnson provided an overview of the Accounting Division and Dennis Keith provided an overview of the voucher auditing function.

Single Audit Report

Rich Hornak presented an overview of South Dakota's financial statements for fiscal year 2002. Gary Hoscheid provided an overview of the single audit for fiscal year 2002. The following action was taken during the review of the report

Division of the Gubernatorial

Senator Moore moved, seconded by Senator Kleven, that representatives from the Division of the Gubernatorial attend the next meeting of the committee to discuss who authorized payment on the

vouchers, who signed the vouchers and how much work was performed relating to the contract. The committee requests detailed information regarding the projects covered by the contract and the time involved with each project. Motion prevailed unanimously on a voice vote.

Department of Social Services

Senator Kleven moved, seconded by Senator Brown, that a letter be sent requesting a status report on the implementation of audit recommendations 3, 4 and 5. The response should be available at the committee's next meeting. Motion prevailed unanimously on a voice vote.

Department of Military and Veterans' Affairs

Representative Gillespie moved, seconded by Senator Moore, that a letter be sent requesting the department follow their corrective action plan. The committee directed the Department of Legislative Audit to determine who owns the land referred to in the audit finding, the state or the federal government.

Department of Corrections

Senator Koskan moved, seconded by Representative Cradduck, that representatives from the Department of Corrections attend the next meeting of the committee to explain why a refund of general fund expenditures was not deposited in the general fund. Motion prevailed unanimously on a voice vote.

The committee reviewed separately issued reports on the South Dakota Investment Council and the South Dakota Cement Pension Trust Fund for the fiscal year 2002 and agreed-upon procedures reports on the State Treasurer's office and the State Auditor's office as of December, 2002. No committee action was taken on these reports.

The next meeting is scheduled for July 30, 2003

Senator Brown moved, seconded by Representative Cradduck, that the committee adjourn. Motion prevailed unanimously on a voice vote.

The committee adjourned at 5:00 p. m.



All Legislative Research Council committee minutes and agendas are available at the South Dakota Legislature's homepage: <http://legis.state.sd.us>. Subscribe to receive electronic notification of meeting schedules and the availability of agendas and minutes at **My LRC** (<http://legis.state.sd.us/mylrc/index.cfm>).